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CIA/OER/S-06665-74 STEEL EXPORTERS HIT US MARKET DEC 74
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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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S-6665
FEPAC

6 December 1974

MEMORANDUM FOR: Mr. James Rooney
Office of the Council for
International Economic Policy
Old Executive Office Building

SUBJECT : Steel Exporters Hit US Market

In response to your request, we are forwarding the attached report on foreign steel deliveries to the US market. US steel imports rose sharply in the third quarter and preliminary data for October and November indicates that fourth quarter imports could reach a record level. Foreign steel markets have begun to soften while the US market remains firm. Faced with weakening markets, Japanese and European steel producers have begun to lower their prices.

We will be happy to provide any further assistance on this subject.

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Chief, Japan/Pacific Branch
Industrial Nations Division
Office of Economic Research

Attachment:
As stated

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STEEL EXPORTERS HIT US MARKET

Foreign steel makers have begun shifting their attention to the US market as steel demand elsewhere weakens. Deliveries to the US reached 4.1 million tons (metric) during the third quarter, the largest quarterly total since 1972 and 26% above the previous quarter's imports. More than half the increase was attributable to Japanese deliveries -- up 39% from the previous quarter -- although shipments from Canada and the Benelux countries also rose sharply.

Data for October and preliminary statistics for November indicate the upward trend in steel imports is accelerating. Imports of steel products reached 1.9 million tons in October, up 55% over September and 46% over the third quarter monthly average. Although the data is incomplete, November imports appear almost certain to equal October's level. Imports for the fourth quarter could reach some 5.7 million tons -- a 39% increase over third quarter and one of the largest quarterly total's ever.

The recent surge in part reflects continued strong US demand. Output of steel was down 2.3% during the first eight months while demand for steel rose somewhat. New orders for

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steel were up 5% over last years record level and order backlogs were running up to 12 months on some steel products. Steel inventories, while reaching some 2 million tons in October, were below normal levels. The November coal strike postponed what appeared to be a softening in US demand by curtailing steel production. The underlying trend, however, is likely to resume with the end of the coal strike.

Foreign steel demand is already weakening. Earlier this year demand held up by high levels of capital spending on new plants, big jumps in orders for oil exploration and processing equipment, and the rapid pace of economic development in the LDC's. Restrictive economic policies and skyrocketing construction costs, however, have reduced capital spending, especially in developed nations. The rate of economic development in LDC's is slowing as they contend with worsening inflation, balance-of-payments problems, and the rippling effects of recession in the developed nations.

Given these trends the major exporters are likely to continue looking to the US market as an outlet for their steel. Some exporters recently have dropped their prices to improve their competitive position in the US market. Since September the Japanese have reduced their average price per ton some \$55 while some European steel prices have declined as much as \$100 a ton -- a 25% to 35% decrease. If the US

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market does ease, further price cuts may develop. Japanese steel firms already are intensifying their marketing effort for contracts, apparently with some success.

The Japanese probably feel little constraint on lining up contracts since they expect the voluntary export control program to expire in January. Although overall shipments this year will be some 12% below the 6.8 million quota in the US market, the Japanese have been shipping steel at a 7.2 million ton annual rate since August.

CIA/OER
6 December 1974

-3-

UNCLASSIFIED

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US STPTEL IMPORTS
(metric tons)

COUNTRY	1973				1974			
	I	II	III	IV	I	II	III	OCT.
JAPAN	1,485,418	1,330,200	1,351,274	1,327,443	1,128,789	1,224,311	1,652,539	N.A.
CANADA	270,537	298,371	238,428	261,378	271,325	302,125	338,615	N.A.
WEST GERMANY	389,863	478,789	545,113	609,142	269,633	460,019	420,332	N.A.
FRANCE	267,361	277,159	224,669	190,067	175,262	279,130	273,792	N.A.
BELGIUM-LUXEMBURG	380,116	351,418	282,926	234,497	176,894	353,190	387,652	N.A.
UNITED KINGDOM	191,779	227,648	260,973	280,505	109,140	138,809	144,341	N.P.
TOTAL EEC	1,322,974	1,568,178	1,606,242	1,536,614	780,211	1,406,081	1,368,698	N.A.
OTHER	574,920	478,859	387,768	340,952	279,184	337,634	747,766	N.A.
GRAND TOTAL	3,653,849	3,675,608	3,583,712	3,466,387	2,459,509	3,270,151	4,107,618	1,905,076

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